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IT Acquisition Across the DoD

Commercial Software Licensing - DoD ESI and Software Category Management

Defense Acquisition University, 29 September 2016

Floyd Groce
IT Strategic Sourcing Lead
DoD ESI Co-Chair
Department of the Navy CIO

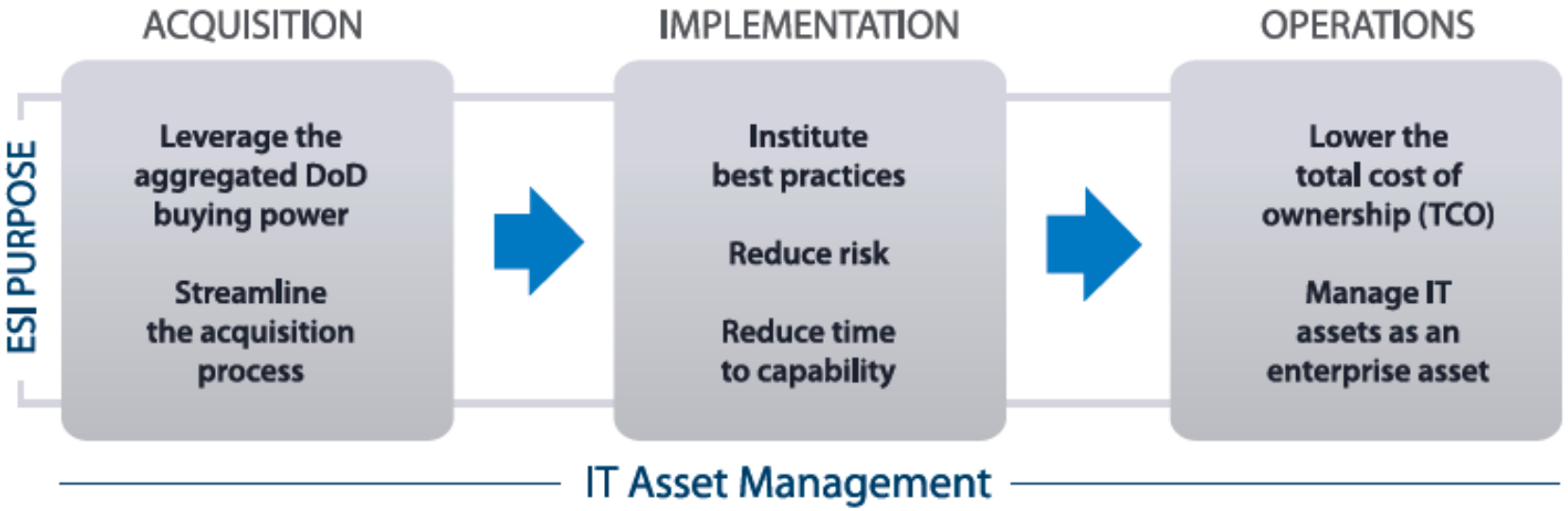
Agenda

- DoD Enterprise Software Initiative (ESI) Background
- Statute, Policy, and Process Changes
- Enterprise Software Category Team (ESCT)
- Strategic Vendor Management
- Ongoing Collaboration with Cost Analysis Center
- End User License Agreements
- Review/Questions

DoD Enterprise Software Initiative (ESI) Background

What is DoD ESI?

- **Joint initiative** to save time and money on acquisition of commercial software, IT hardware, and services
- **Executive Sponsor**: DoD CIO
- **Goals**
  - Save time, effort, and money
  - Target DoD Customer Needs and Efficiencies
  - IT Asset Management



What is DoD ESI?

- **Team Composition:**
  - Army, DON, Air Force, DLA, DISA, OSD
- **Operations:**
  - Award enterprise agreements for IT products and services
  - Implement unified vendor, strategic sourcing and contract management strategy with leading IT vendors
  - Use an agile, low overhead model executed through Software Product Managers (SPMs) in four DoD Components
  - Work closely with OMB and GSA to optimize IT acquisition policy and implement IT Category Management within DoD
- **Results:**
  - Over 50 ESI agreements representing approximately 30 OEM publishers
  - Over $6 billion cost avoidance since inception
  - Improved IT asset visibility of DoD ESI suppliers
  - More efficient acquisition processes for ESA users

DoD ESI - Providing Value to the Enterprise

What's Coming – Statute, Policy, and Process Changes

Department of Defense Regulation and Policy

- **DFARS 208.74** – Enterprise Software Agreements
- **DFARS 239.101** – Policy
- **DFARS 239.76** – Cloud Computing
- **DoDI 5000.02** – Operation of the Defense Acquisition System
- **DoDI 5000.74** – Defense Acquisition of Services
- **DoD CIO Memo on Use of Enterprise IT Business Case Analyses dated 23 Oct 2014**

Expect Continuation of Legislative Interest

- **NDAA 2013**
  - Section 937, “Software Licenses of the Department of Defense”
  - Mandates DoD CIO, in consultation with Military Department and Agency CIOs, plan and develop inventory of selected software
- **NDAA 2014**
  - Section 935 – “Additional Requirements Relating to the Software Licenses of the Department of Defense”
  - Mandates inventory of every software title on which a Military Department spends $5 million or more in a year
  - DoD CIO Response to Congress signed January 14, 2016
- **NDAA 2015**
  - Creates new Under Secretary of Defense for Business Management and Information
  - Federal Information Technology Acquisition Reform (FITARA)
    - Section 831. Chief Information Officer Authority Enhancements
    - Section 836. Maximizing the Benefit of the Federal Strategic Sourcing Initiative
    - Section 837. Government-wide Software Purchasing Program

Expect Continuation of Legislative Interest

- **MEGABYTE Act of 2016 – Requires CIOs to:**
  - Identify clear roles, responsibilities, and central oversight authority for managing enterprise software license agreements and commercial software licenses
  - Establish a comprehensive inventory, including 80 percent of software license spending and enterprise licenses
  - Regularly track and maintain software licenses
  - Analyze software usage and other data to make cost-effective decisions;
  - Provide training relevant to software license management;
  - Establish goals and objectives of the software license management program;
  - Consider the software license management life cycle phases, including the requisition, reception, deployment and maintenance, retirement, and disposal phases;
  - Submit a report yearly on the financial savings or avoidance of spending that resulted from improved software license management

IT Category Management

- Program management implemented across the sub-categories
- Implementation of the performance management dashboards to show agency compliance
- Establish benchmarks across sub-categories using prices paid data

Hardware Sub-Category (OMB Policy 16-02)	
Workstation Category Team (WCT)	• Review and update laptop and desktop configurations • Secure volume commitment from Agencies to an aggregated buying event(s) • Introduce demand management processes to optimize price and performance • Replacement of existing desktop vehicles to optimize the acquisition of the Federal marketplace
Enterprise Software Sub-Category (OMB Policy M-16-12)	
Enterprise Software Category Team (ESCT)	• Establish **2 Government-wide enterprise software agreements by end of 2016** • Identify and evaluate the **best in class** software agreements • Establish **supplier relationship management** with the key OEM and channel suppliers • **Adapt the ESI model** to address areas such as software asset management, training, acquisition processes and procedures
Telecommunications (Mobile) Sub-Category (OMB Policy M-16-20)	
Mobile Services Category Team (MSCT)	• Baseline Agency utilization for devices and services to assess potential short term benefits • Develop a supplier management Government-wide strategy with the major supplier and ensure access to relevant management information • Develop a Government-wide acquisition strategy. • Introduce a new set of demand management policies and procedures

Enterprise Software Category Team (ESCT)

Enterprise Software Category Team (ESCT)

- Governance board for Government-wide software initiatives, consisting of GSA, DoD, and OMB
- Purpose is to provide Government-wide leadership within the Software category, including guidance on implementing Government-wide software initiatives listed in *FITARA*, *OMB Software Memo*, and the *Megabyte Act*

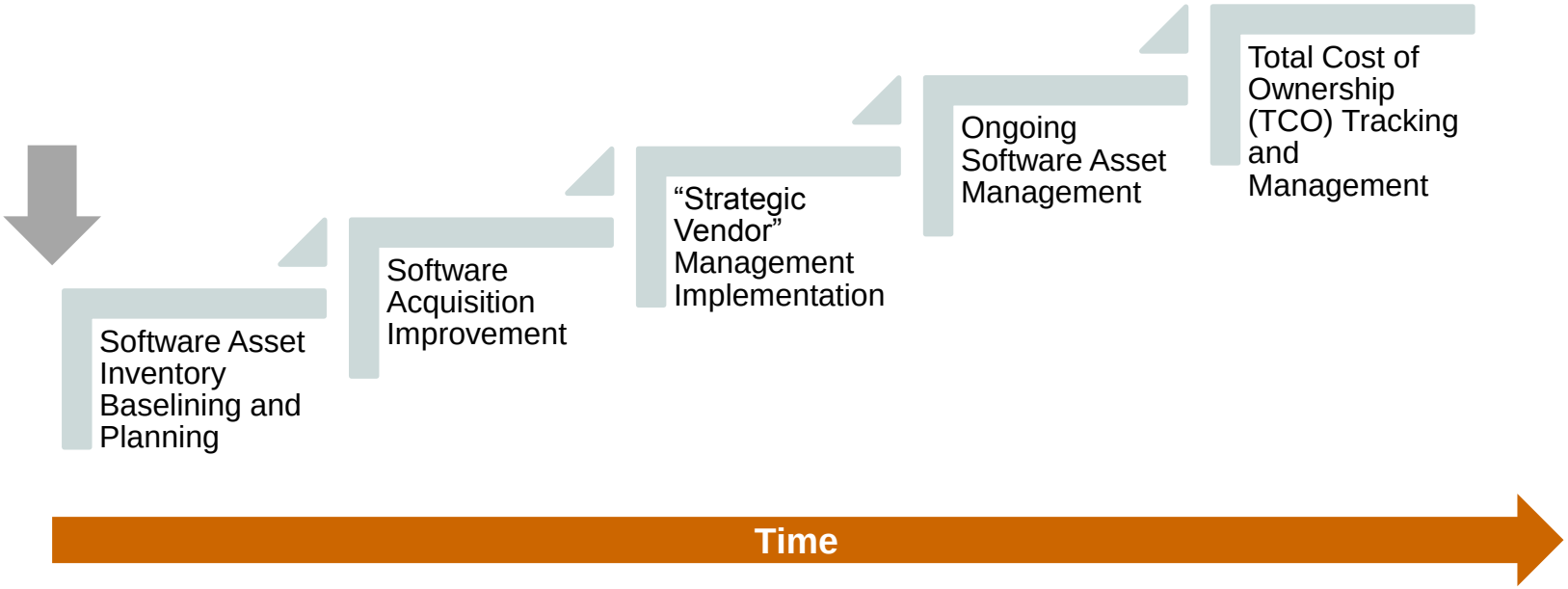
ESCT Leaders:

- Federal IT Category Leader: Mary Davie
- Co-Leads: John Radziszewski (GSA) and Floyd Groce (DoD)

Primary Near-Term Roles and Responsibilities:

- Facilitate meetings / conduct working groups to help Software Managers address requirements in the OMB Software Memo
- Develop and provide guidance and templates related to the OMB Software Memo requirements
- Provide offline support and answer any questions to Software Managers

An accurate software inventory baseline will provide much needed visibility and serve as a stepping stone for future activities



Software Category Key Performance Indicators

M-16-12 policy memo focuses on improving the acquisition and management of common information technology purchased across the Government

- OMB has set consolidated CAP goals for the Category Management Program
- Software Category Managers must work together to try to meet **Key Performance Indicators (KPIs)** for savings on software spend Government-wide
  - Savings: achieve savings (reduced unit prices, cost reductions from changed behaviors, and reduced administrative costs) across software contracts
  - Spend Under Management (SUM): overall measure of Federal Government category management maturity, which helps to highlight successes and development areas
  - Contract Reductions: reduce contract duplication
  - Small Business Goals: measure of participation in category management and overall program
  - Acquisition Gateway Visits: purposeful visits to the Acquisition Gateway

Agencies asked to increase usage of Government-wide software license agreements

- Per the OMB Memo, executive agents for Government-wide software agreements (i.e., the ESCT) have been asked to post standard pricing and terms and conditions to the Acquisition Gateway

- To date, *8 Government-wide vehicles have been identified* for usage and posted on the Acquisition Gateway under the Solutions Finder and IT Software Hallway. These vehicles were fully vetted by the ESCT and include the following characteristics:

  - Negotiated and constructed with requirements that were based upon government-wide criteria derived from customer agency specifications.
  - Carries comprehensive protections for the Federal Government such as those identified by the July 2015 FAR Class Deviations (GSA Acquisition Letter MV15-03)
  - Any associated End User License Agreement (EULA) has been reviewed, and improved upon to better address government needs
  - Transparent, with EULAs, terms and conditions, pricing, and modifications readily available via public website

Best-in-Class (BIC) Criteria defined by ESCT

- Per the OMB memo, Agencies have been asked to increase usage of either mandatory or encouraged Best-in-Class (BIC) software license agreements

- OMB has provided overarching guidance on how to determine BIC contracts across *ALL* major categories of spend in the Government including how potential contracts should be evaluated, continuously analyzed and improved, and managed

- **BIC criteria areas that each category must incorporate:**

  1. Rigorous Requirements Definitions and Planning Processes
  2. Appropriate Pricing Strategies
  3. Data-driven Demand Management Strategies
  4. Category and Performance Management Practices
  5. Independent Validation and Reviews by Category Teams

- The ESCT "tailored" the major criteria areas defined by OMB to specifically evaluate potential BIC software agreements. The software-specific BIC evaluation process incorporates initial screening through a DoD ESI-developed toolkit that addresses part of major criteria areas (1) and (2) above

Strategic Vendor Management

For many OEMs, enterprise license agreements provide a pathway to addressing broader SVM objectives

Quantities & Total Spend for Software, Hardware or Maintenance

Terms & Conditions / End-User License Agreements

Customer Engagement: Demand Management & Capability "Right-sizing"

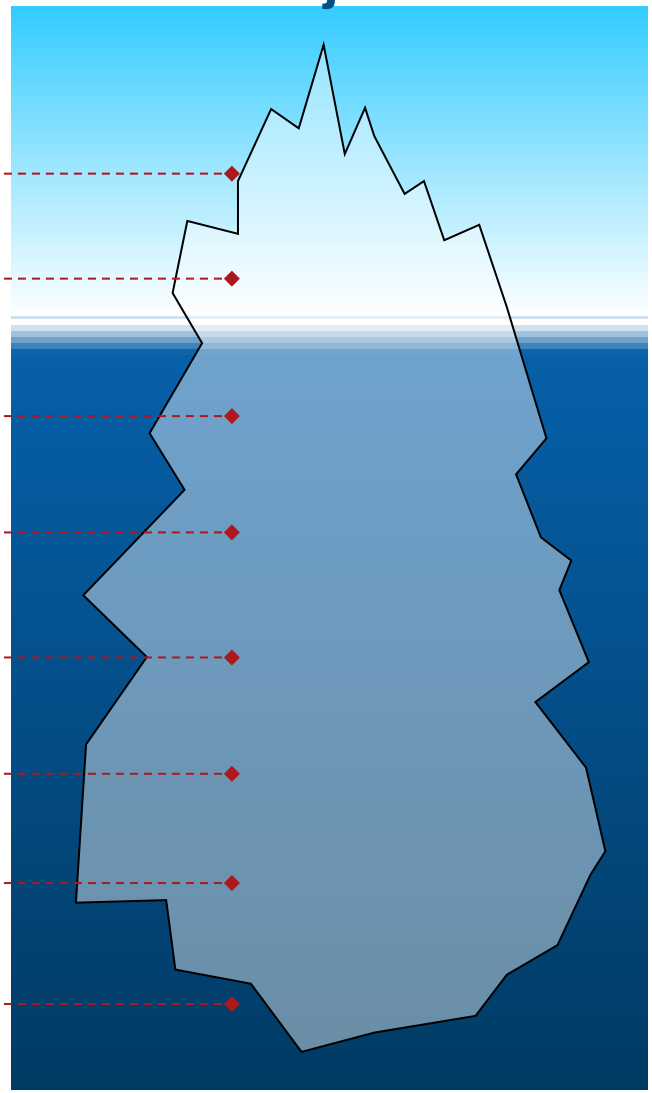
Price Variability Analysis and Benchmarking

Communications and Collaborative Engagement with OEMs / Publishers

Enterprise Funding Models

Total Cost of Ownership

Strategic Vendor Management / Software Category Management



Many organizations are only able to address the "tip of the iceberg"

SVM systematically address all essential ELA topic areas

Federal agencies are faced with challenges in maximizing value received from their strategic IT OEM vendors

Lack of Enterprise Approach

- No common, unified "voice" representing the enterprise – set of fragmented relationships between customer groups and vendors (OEM and channel partners)
- Limited enterprise-level collaboration and joint innovation with the IT OEM vendor
- Significant variation in prices paid across the enterprise

Limited Visibility

- Limited visibility into enterprise-level spend and technology assets/deployments associated with an IT OEM vendor
- Challenges gaining insight into vendor performance across the enterprise
- Limited visibility into vendor, market, and technology insights, economics, and trends

Inefficiencies in Internal Planning

- Lack of enterprise-wide governance, demand planning / forecasting, and purchasing processes
- Lack of "right-sized", TCO-focused, and clearly defined requirements and specifications
- Incumbent IT OEM advantages and potential vendor lock-in leading to limited OEM competition
- Limited redeployment / re-use of current assets provided by the IT OEM vendor

These vendor management challenges lead to a number of risks for an agency that limit vendor effectiveness, the ability to create efficiencies, and the ability to actively manage total costs

SVM approach helps agencies realize end-state benefits

TARGETED END-STATE BENEFITS OF SVM-DRIVEN APPROACH

Maximized Savings

- Optimized vendor pricing and terms and conditions through enterprise vendor agreements
- Improved requirements definition and demand management
- Opportunities to introduce competition where it makes sense to further optimize pricing
- Operational efficiencies (reduced redundancies in managing vendors across the enterprise)

Maximized Performance and Innovation

- Improved vendor performance and enhanced relationship value:
  - Increased collaboration with vendors to better meet customer requirements and jointly reduce costs
  - Opportunities for joint innovation with vendors
  - Improved insights into vendor capabilities, trends, and technology roadmaps
  - Improved customer satisfaction with vendor-provided solutions

Enterprise Visibility

- Visibility into enterprise-level spend related to vendors and key commodities
- Visibility into asset inventories for better demand management
- Visibility into customer compliance with enterprise-level policies and agreements
- Visibility into vendor performance and customer satisfaction

SVM is a comprehensive enterprise approach to effectively managing a key IT vendor relationship

STRATEGIC VENDOR MANAGEMENT (SVM) APPROACH

Strategic Vendor Analysis and Roadmap	Vendor Framework Development	Acquisition and Strategy Implementation Activity	Ongoing Management
Develop full range of management strategies and opportunities related to vendor	Engage vendor prior to acquisition to identify specific alternatives for enterprise agreements and general improvement of the relationship	Implement vendor management strategies including acquisition activities related to enterprise agreements	Establish and maintain internal & external performance management and overall vendor management processes

SVM approach provides a structured process for defining an enterprise-level vendor relationship and effectively sustaining and managing that relationship through the IT life cycle

Comprehensive assessment provides foundational visibility and insight to develop broad range of strategies for cost reduction

STRATEGIC VENDOR MANAGEMENT (SVM) APPROACH

Strategic Vendor Analysis and Roadmap → **Vendor Framework Development** → **Acquisition and Strategy Implementation Activity** → **Ongoing Management**

KEY ACTIVITIES

- Analyze historical demand signal and pricing
- Forecast future demand signal
- Conduct vendor / market research and analysis
- Identify and prioritize holistic vendor management and cost reduction strategies
- Develop IT vendor relationship roadmap
- Quantify strategy benefits

KEY OUTPUTS AND BENEFITS

- Increased Visibility: Unprecedented levels of spend and installed base visibility
- Market Intelligence: Deep understanding of the vendor, market, and technology with a focus on what it means to the agency
- Holistic Strategies: Identification of near-term and long-term strategies that goes well beyond enterprise agreements
- Key Enablers for Success: Identification of key enablers and success factors specific to the agency
- Agency Feasibility and Risks: Understanding of key environmental challenges and risks
- Total Savings Potential: Quantification of the total “size of the prize” with an OEM vendor

Step 2 involves engaging with OEM vendor to develop a pre-acquisition framework for what a relationship may look like

STRATEGIC VENDOR MANAGEMENT (SVM) APPROACH

KEY ACTIVITIES

- Engage vendors to collaborate on ways to reduce costs
- Identify best practices in vendor agreement terms and conditions
- Build a framework that identifies opportunities to achieve efficiencies and drive down costs
- Define performance metrics and reporting requirements
- Develop strategy and objectives to take into execution
- Discuss and determine overall governance and relationship structure
- Work with vendor to define alternatives and ROMs

KEY OUTPUTS AND BENEFITS

- Detailed Vendor Understanding: Deep understanding of OEM vendor capabilities
- Vendor Collaboration: Identification of joint cost reduction and innovation opportunities with the OEM vendor
- Additional Value Potential: Identification of additional “value-add” capabilities that can be provided by the OEM vendor that are specific to the agency
- Agreement Alternatives and ROM Costs: Deep understanding of OEM vendor alternatives and ROMs to help better guide acquisition staff prior to contracting and negotiations
- Agency-specific Feasibility: Evaluation of the feasibility of the vendor alternatives within the agency-specific environment

Step 3 includes development of acquisition documentation, negotiations, and other implementation activities

STRATEGIC VENDOR MANAGEMENT (SVM) APPROACH

KEY ACTIVITIES

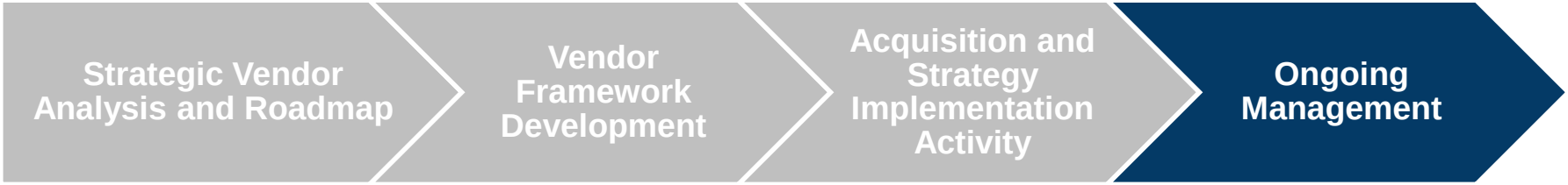
- Evaluate acquisition alternatives and validate requirements
- Negotiate with the specific IT vendors to achieve identified savings
- Conduct proposal cost analysis and evaluation
- Execute Government acquisition process
- Develop and execute associated policy and guidance
- Design and implement communications and change management plan

KEY OUTPUTS AND BENEFITS

- Detailed Alternatives Analysis: Deep dive analysis of acquisition alternatives and potential costs including recommendations for what makes the most sense for the agency
- Effective Negotiations: Negotiations strategy and tactical advice based on significant prior experience and success in working with the OEM vendor
- Communications and Change Management Focus: Heavy emphasis on collaboration, communications, and change management early and often that is specific to the agency environment and will help enable success

Step 4 ensures appropriate mechanisms are in place to sustain and manage vendor relationship long-term

STRATEGIC VENDOR MANAGEMENT (SVM) APPROACH



KEY ACTIVITIES

- Implement compliance, savings, and performance management processes
- Support and oversight for requirements definition, approval, and review processes
- Ongoing spend visibility/tracking through new vehicle(s) and vendor reporting
- Ongoing updates to vendor / market / technology intelligence
- Promote competition where applicable by removing incumbent advantages

KEY OUTPUTS AND BENEFITS

- Ongoing Visibility and Tracking: Comprehensive and custom-tailored spend, compliance, and savings tracking
- Vendor Performance Evaluation: Vendor scorecards to track vendor performance, status of the relationship, and delivery of value
- Optimization of Requirements: Implementation of key processes to ensure requirements and specifications are optimized
- Process Sustainability: Sustainable processes to ensure ongoing updates to spend visibility and vendor/market/technology intelligence

Relationship between a software publisher, through its reseller, is governed by two key artifacts

KEY DOCUMENTS SUPPORTING VENDOR MANAGEMENT

Enterprise Agreement Documentation

Contract with an OEM or an approved reseller for products and services provided by a software publisher

- Specifies specific contractual terms that relate to the on-going management of the agreement
- Examples include:
  - Monthly sales and other required reporting
  - Availability of training materials
  - Executive sponsorship
  - Customer satisfaction assessment activities
  - Vendor performance metrics or SLAs

Performance Management Guide

Document that articulates processes used to manage both the internally-focused and vendor-focused aspects of the agreement

- Specifies program management structure, roles and responsibilities of key stakeholders and key processes
- **Operations:** Scope of agreement and activities related to customer participation and operational/mission support
- **Performance Management:** Activities needed to monitor and manage internal and vendor performance to maintain operational value
- **Vendor Relationship Management:** Activities needed to provide additional strategic value through vendor collaboration and to proactively prepare and plan for the next agreement

Performance Management Guide (PMG) is intended to provide best practice guidance on managing an Enterprise Agreement (EA)

DEFINITION OF PERFORMANCE MANAGEMENT GUIDE (PMG)

Objective: Document and codify program management structure, roles and responsibilities of key stakeholders and processes used to manage both internally-focused and vendor-focused aspects of the agreement in order to achieve the goals of the agreement

Internally-Focused Activities

- Key roles and responsibilities structure
- Ordering processes and documentation
- Funding/Payment processes
- License delivery, validation, and management approaches
- Future demand planning
- Technology refresh planning and coordination
- Market analysis and research

Vendor-Focused Activities

- Post-award contract management
- Vendor performance management
- Technology briefings and updates
- Security reviews
- Customer Satisfaction reporting and discussions
- Training deployment and planning

Elements of a Performance Management Guide must address the key components of the on-going value management of an EA

KEY ELEMENTS OF THE PERFORMANCE MANAGEMENT GUIDE

PEOPLE – Who are the key individuals that are involved in the on-going management of the EA?

- Internal Stakeholders & Governance Structure
- Software Publisher and Reseller Stakeholders

PROCESSES – What are the set of activities and processes that will facilitate and support the on-going management of an EA?

- Internal Processes
- Vendor-Focused Processes

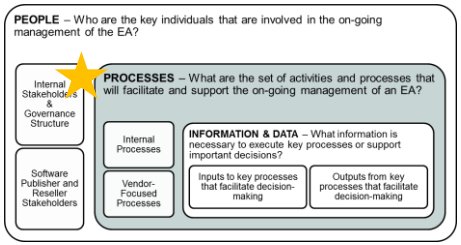
INFORMATION & DATA – What information is necessary to execute key processes or support important decisions?

- Inputs to key processes that facilitate decision-making
- Outputs from key processes that facilitate decision-making

PMG should document all processes, both external and internal, required to manage an agreement and maintain agency expertise

EXAMPLE VENDOR MANAGEMENT PROCESSES

Processes



INTERNAL PROCESSES

- **Ordering Information** – Process defining how customers execute orders off of the agreement and required information, documentation, and approval required
- **Funding / Payment Process** –Appropriate methods to fund purchases of renewal or new licenses
- **Inventory System / Management** – Process by which the PMO will manage and monitor the license inventory on an ongoing basis
- **Spend & Installed Base Analysis** – Monitor and assess the total cost of all products, maintenance, and services being purchased from a particular vendor
- **Vendor / Market Analysis** –Assessing the strengths, weaknesses, opportunities, and threats associated with this particular vendor
- **Supply Chain Analysis** – Evaluating the effectiveness and efficiency of the current reseller as it pertains to the reseller market and/or its relationship with the vendor
- **Price / Cost / Savings Analysis** – Analyzing the price reasonableness and savings realized through the use of this agreement

VENDOR-FOCUSED PROCESSES

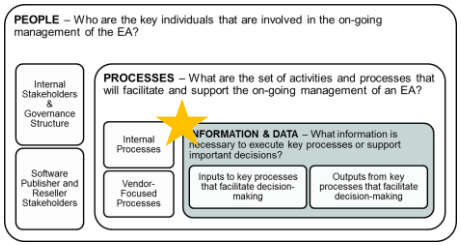
- **Support Services** – Benefits management and monitoring, sales and purchase automation, and on-going customer support
- **Value-Added Benefits & Services** - Accessing enterprise-level support such as security evaluations, technology roadmaps, etc.
- **Communication & Training** – Agreement portal development and management, availability of training offerings and benefits
- **Reporting** – Sales and installation reporting, maintenance renewal planning information, requirements management
- **Contract Management** – Implementing contractually mandated clauses and administration of technical refreshes and modifications

PMG must identify all sets of information and data required to facilitate processes and support key management decisions

EXAMPLE INFORMATION & DATA REQUIRED

DATA TYPE	DETAILS
Sales Data	▪ Sales reports from reseller, verified and validated by customer organization and vendor management office
Leakage Analysis & Reporting	▪ Analysis conducted on alternate channels where software purchasing for a particular software publisher may be occurring. ▪ Information may provided by OEM or reseller in support of agreement objectives
Customer Satisfaction data	▪ Customer surveys and or feedback provided to reseller or OEM that can support / justify
Inventory and installed base tracking	▪ Software asset data that is managed and monitored by your agency ▪ Information may be validated and/or augmented by vendor provided data or tracked in portal solution
Vendor performance metrics / SLAs	▪ Metrics should be governed by mutually agreed upon terms either in contract or PMG
Customer Discussions	▪ On-going customer discussion and dialogue should collected and utilized on an on-going basis

Information & Data



Importance and availability of data will be dependent on type and cadence of processes identified in PMG and relevance to your enterprise agreement

All elements of Vendor Agreement Framework must be addressed by PMG whether included in the enterprise agreement or not

MAPPING VAF TO PMG	Enterprise Agreement		Performance Management Guide
1. Approach, Length and Scope of an Enterprise Agreement	☑	Some elements will be clearly codified in the agreement; but still must be addressed in the PMG	☑
2. Structure and Flexibility for Software Subscriptions	☑		☑
3. Shared performance & compliance management			☑
4. Payment/invoicing structures and Alternatives	☑		☑
5. Enterprise Visibility of Spend, Assets – OEM, Integrator & Reseller Reporting	☑		☑
6. Structure and delivery models for enterprise-level training	☑	In the case where topics are not addressed in the contract, the gov't must address internally	☑
7. Measuring and Managing End Customer Satisfaction			☑
8. Access to Products and Services	☑		☑
9. Value-added services/offerings for large-scale customers	☑		☑
10. Transition to a New Agreement			☑

Ongoing Collaboration with Cost Analysis Center

Software and IT Cost Integrated Process Team (IPT)

- ***Mission - Build coalitions with government, industry, academia to exchange cost data, lessons learned, best practices concerning Software and Information Technology cost estimation***
- Augment cost data reporting practices and policies for Major Automated Information Systems
- Standardize software cost data definitions reported in Contract Data Reporting Listing (CDRL) requirements
- Improve ability to efficiently host, share and request contractor data between Government agencies
- Cost data sharing among contractor and government sources
- Exploit opportunities to engage and potential for substantive mutual areas for improvement
- Collaborate with Industry and Academia for the development of open-source Cost Estimating Relationships, benchmarks, etc.

Software and IT Cost IPT (Cont'd) - Focus Areas

Software

- ❑ Cost Estimation Best Practices
- ❑ Schedule Estimation Measures
- ❑ Early Phase Agile Cost Measures
- ❑ Early Phase Size Measurements
- ❑ Quantifying Cyber Security

Requirements and Cost Measures

- ❑ COTS Integration Cost Measures
- ❑ Data Collection Best Practices
- ❑ Open Source Cost Models

Information Technology

- ❑ IT Cost Measures and Benchmarks for Enterprise Resource Planning
- ❑ Early phase IT Implementations
- ❑ Cloud services – SaaS, PaaS, IaaS
- ❑ Help Desk
- ❑ System Administration
- ❑ Data Center Consolidation
- ❑ Network Consolidation
- ❑ Data Cleansing
- ❑ Data Migration
- ❑ IT Data Collection Best Practices
- ❑ Early Phase Cost Measures
- ❑ Acquisition and Contract Strategies

DoD ESI Database

- **The database is cumulative from 2002 through 2015 and does not reflect purchases of software outside of the DoD ESI. ESAs were awarded at various times during this 13-year period. Completeness and consistency in reporting vary within the database.**

254,122 records*

- 17 End User Agencies or Services
  - Army, Navy, Marine Corps, Air Force, along with other DoD and federal entities
- 38 Vendors
  - the Original Equipment Manufacturer (OEM) that owns the Intellectual Property (IP)
- 47 Resellers
  - the Vendor's sales channel that was awarded an ESA/Component Enterprise License Agreement/Joint Enterprise License Agreement to sell the product under a Blanket Purchase Agreement (BPA)

***as of 19 May 2015**

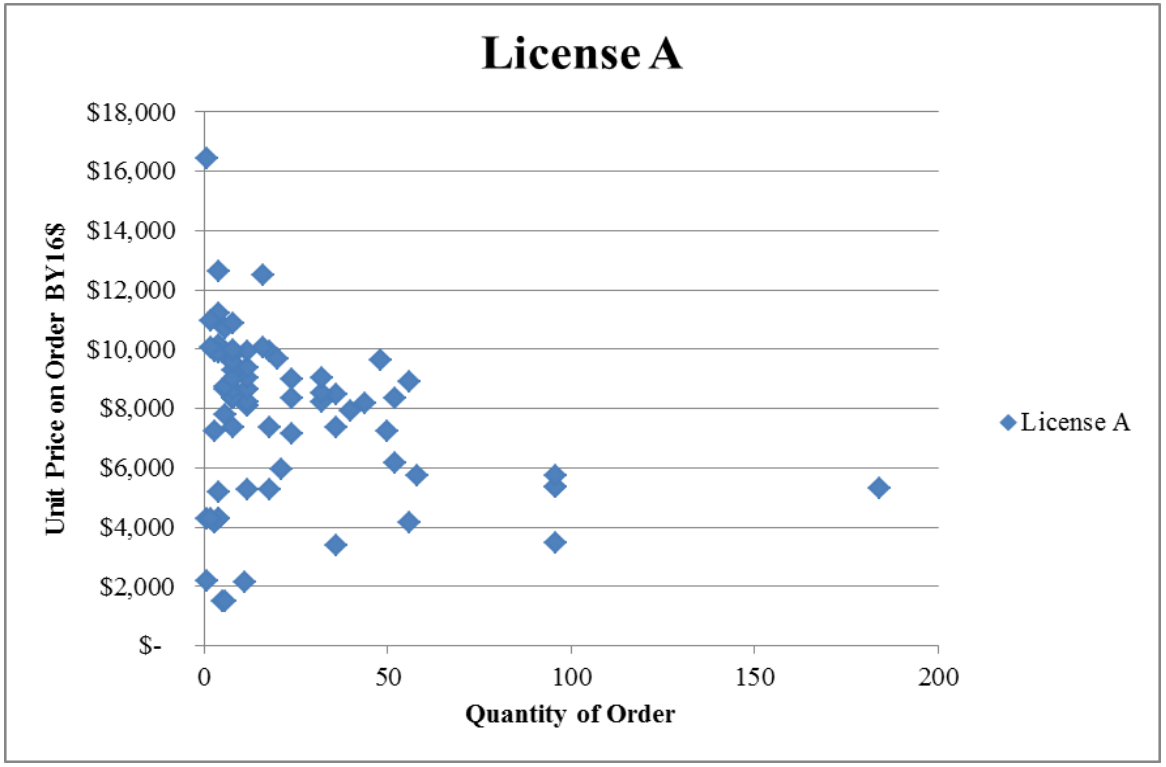
Product Description Categories

- **Each product description can be categorized as a:**
  - **Licensed Product**
    - a set of rights granted by a publisher to a buyer for use of the publisher's software
  - **Maintenance and Support**
    - a standard vendor offering that entitles a customer to ongoing development and delivery of software bug fixes and product upgrades
  - **Service**
    - expertise from a vendor that enables an organization to develop, manage, or optimize their system; a vendor may offer additional personnel for training, consulting, etc.

Source: *DoD ESI Commercial Software License Acquisition Training*

Licensed Product Price Fluctuation
Single Licensed Product

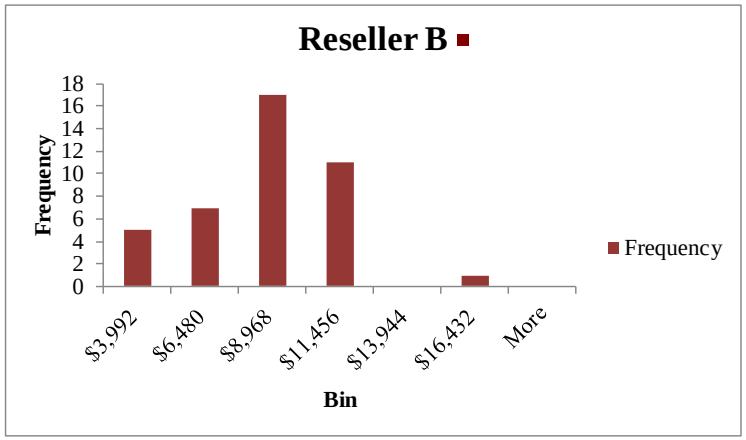
- 81 Vendor A, Product A, License A records



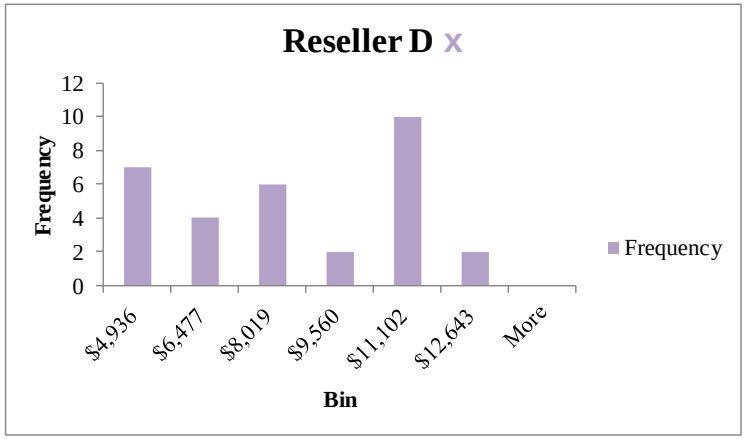
License A		
Mean	$	7,766
Standard Error	$	301
Median	$	8,329
Mode	$	8,329
Standard Deviation	$	2,706
Sample Variance	$	7,322,656
Kurtosis	$	1
Skewness	$	(0)
Range	$	14,928
Minimum	$	1,503
Maximum	$	16,432
Sum	$	629,044
Count		81

No significant trend exists. Could the fluctuation in prices be explained by identifying the licensed product by the Reseller?

Licensed Product Price Fluctuation
Reseller B and Reseller D



Bin	Frequency	
$ 3,992	5	12%
$ 6,480	7	17%
$ 8,968	17	41%
$ 11,456	11	27%
$ 13,944	0	0%
$ 16,432	1	2%
More	0	0%
	41	



Bin	Frequency	
$ 4,936	7	23%
$ 6,477	4	13%
$ 8,019	6	19%
$ 9,560	2	6%
$ 11,102	10	32%
$ 12,643	2	6%
More	0	0%
	31	

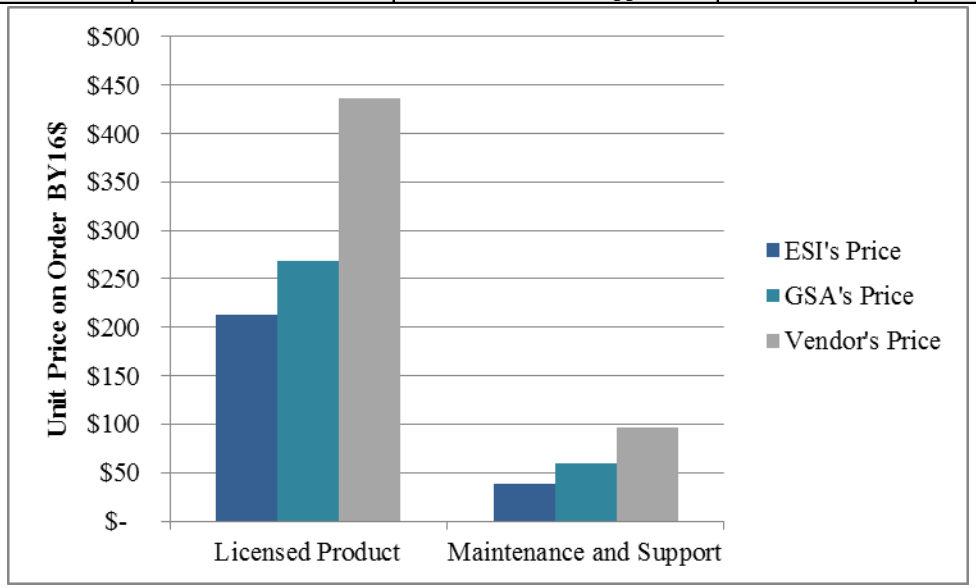
The price of a single licensed product fluctuates greatly within a single entity.

Price Comparison
Single Licensed Product, Multiple Providers

ESI's Price	Vendor Name	Reseller Name	Product Description	Category	Quantity of Order	Unit Price on Order BY16$	Total Price on Order BY16$
	Vendor A	Reseller D	Product A, License B	Licensed Product	50	$ 214	$ 10,678
				Maintenance and Support	50	$ 38	$ 1,922

GSA's Price	Vendor Name	Reseller Name	Product Description	Category	Quantity of Order	Unit Price on Order BY16$	Total Price on Order BY16$
	Vendor A	Reseller D	Product A, License B	Licensed Product	50	$ 269	$ 13,432
				Maintenance and Support	50	$ 59	$ 2,955

Vendor's Price	Vendor Name	Product Description	Category	Quantity of Order	Unit Price on Order BY16$	Total Price on Order BY16$
	Vendor A	Product A, License B	Licensed Product	50	$ 437	$ 21,850
			Maintenance and Support	50	$ 96	$ 4,807



"ESI offers…reduced pricing compared to GSA's IT schedule."

End User License Agreements

EULA Key Clauses / License Grant

Core **License Grant** Elements

- Parties
- Authorized Users
- Requirements
- Geography
- Times of Conflict
- Product Names & Functions
- Language
- Duration
- Quantity
- Ownership & Use Rights
- Permitted Use
- Self Audit

EULA Key Clauses / Pricing

License Grant	Pricing	Warranty	Maintenance	General Provisions

Core **Pricing** Elements

- Financial Investment
- Metric
- Discount
- Key Terms
- Benchmarking

EULA Key Clauses / Warranty

Core **Warranty** Elements

- What is Covered?
- Who is Covered?
- Timing
- Remedies

EULA Key Clauses / Maintenance

Core **Maintenance** Elements

- Scope & Levels of Support
- Timing & Duration
- Rates
- Escalation

EULA Key Clauses / General Provisions

License Grant	Pricing	Warranty	Maintenance	General Provisions

Sample Clauses

- Order of Precedence
- Confidentiality
- Severability
- Term
- Termination
- Limitation of Liability
- Assignment
- Relationship of Parties
- Governing Law
- Dispute Resolution
- Integration

FAR and DFARS

Review

What is DoD ESI?

- **Operations:**
  - Award enterprise agreements for IT products and services
  - Implement unified vendor, strategic sourcing and contract management strategy with leading IT vendors
  - Use an agile, low overhead model executed through Software Product Managers (SPMs) in four DoD Components
  - Work closely with OMB and GSA to optimize IT acquisition policy and implement IT Category Management within DoD
- **Results:**
  - Over 50 ESI agreements representing approximately 30 OEM publishers
  - Over $6 billion cost avoidance since inception
  - Improved IT asset visibility of DoD ESI suppliers
  - More efficient acquisition processes for ESA users

- ***Go to esi.mil for more information!***

Expect Continuation of Legislative Interest…

- ***NDAA 2013*: mandates inventory of selected S/W**
- ***NDAA 2014*: mandates inventory of S/W >$5M**
- ***NDAA 2015*: FITARA**

- ***MEGABYTE Act of 2016*** leading to ***OMB Software Category Management***
  - *Central oversight authority* for managing enterprise software license agreements and commercial software licenses
  - Establish a *comprehensive inventory*, including 80 percent of software license spending and enterprise licenses
  - *Regularly track* and maintain software licenses
  - *Analyze software usage* and other data to make cost-effective decisions;
  - Provide *training* relevant to software license management;
  - Establish *goals and objectives* of the software license management program;
  - Consider the software license management *life cycle* phases, including the requisition, reception, deployment and maintenance, retirement, and disposal phases;
  - Submit a *report yearly* on the financial savings or avoidance of spending that resulted from improved software license management

Enterprise Software Category Team (ESCT)

- Governance board for Government-wide software initiatives, consisting of GSA, DoD, and OMB
- Purpose is to provide Government-wide leadership within the Software category, including guidance on implementing Government-wide software initiatives listed in ***FITARA***, ***OMB Software Memo***, and the ***Megabyte Act***

Strategic Vendor Management (SVM) Approach

- Structured process for defining an *enterprise-level vendor relationship* and effectively sustaining and managing that relationship through IT life cycle

End User License Agreements

- Developed to ensure *DoD protections* for software, services, and hardware agreements

Questions

Back ups

Office of Management and Budget (OMB)

- **OFPP Memo of 2 Dec 2014, "Transforming the Marketplace: Simplifying Federal Procurement to Improve Performance, Drive Innovation, and Increase Savings**
- **OMB Memo M-15-14 of June 10, 2015, Management and Oversight of Federal Information Technology**

Federal Category Management

- **Category Management Leadership Council (CMLC)**
- **OMB Memo M-16-02, Category Management Policy 15-1: Improving the Acquisition and Management of Common Information Technology: Laptops and Desktops**
  - Workstation Category Team (WCT)
- **Category Management Policy 16-1: Improving the Acquisition and Management of Common Information Technology: Software Licensing**
  - Enterprise Software Category Team (ESCT)
- **Category Management Policy 16-3: Improving the Acquisition and Management of Common Information Technology: Mobile Devices and Services**
  - Mobile Services Category Team (MSCT)
- **Common Acquisition Platform (CAP) / Acquisition Gateway**
  - IT Hardware Hallway
  - Software Hallway

Office of Management and Budget (OMB)

- **OMB Memo M-16-02, Category Management Policy 15-1: Improving the Acquisition and Management of Common Information Technology: Laptops and Desktops**
  - Civilian agencies shall leverage NASA SEWP, GSA IT Schedule 70 or NIH NITAAC CIO-CS GWACs
  - Improve demand management practices
  - DoD will continue to execute its DoD ESI and will provide additional guidance to Components
  - DoD will post this information to the Acquisition Gateway
  - Does not apply to managed service contracts – but still must report terms, conditions and prices to the Acquisition Gateway

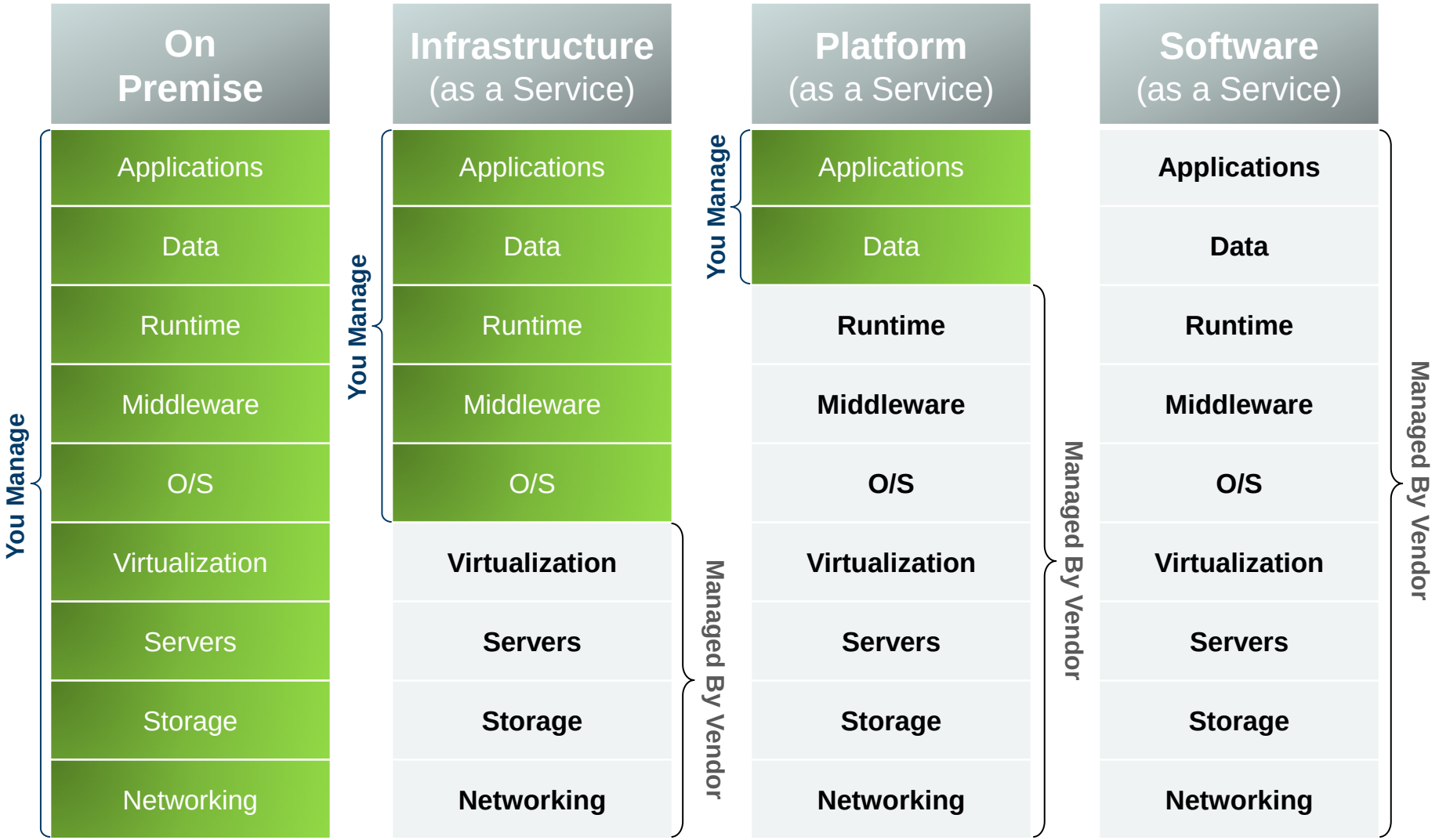
Office of Management and Budget (OMB) (Cont'd)

- **OMB Memo M-16-01, Category Management Policy 15-1: Civilian agencies shall leverage NASA SEWP, GSA IT Schedule 70 or NIH NITAAC CIO-CS GWACs**
  - Improve demand management practices
  - DoD will continue to execute its DoD ESI and will provide additional guidance to Components
  - DoD will post this information to the Acquisition Gateway
  - Does not apply to managed service contracts – but still must report terms, conditions and prices to the Acquisition Gateway

Office of Management and Budget (OMB) (Cont'd)

- **OMB Memo M-16-21, Federal Source Code Policy: Achieving Efficiency, Transparency, and Innovation through Reusable and Open Source Software**
  - **Objectives:**
    - Considerations that must be made prior to acquiring any custom-developed code;
    - Obtain appropriate Government data rights to custom-developed code, including at a minimum, rights to Government-wide reuse and rights to modify the code
    - Consider the value of publishing custom code as OSS
    - Establish requirements for releasing custom-developed source code
    - Provide instructions and resources to facilitate implementation of this policy.
  - **Three-Step Software Solution Analysis:**
    - Step 1 - Conduct Strategic Analysis and Analyze Alternatives
    - Step 2 - Consider Existing Commercial Solutions
    - Step 3 - Consider Custom Development
  - **Factors to consider throughout each stage of the three-step analysis:**
    - Hybrid Solutions: A mixture of existing Federal, commercial, and/or custom-developed solutions
    - Modular Architecture: Can reduce overall risk and cost while increasing interoperability and technical flexibility.
    - Cloud Computing: Evaluate safe and secure cloud computing options
    - Open Standards: Open standards enable software to be used by anyone at any time, and can spur innovation and growth regardless of the technology used for implementation-be it proprietary, mixed source, or OSS in nature.
    - Targeted Considerations: Must meet the operational and mission needs, taking into consideration factors such as performance, total life-cycle cost of ownership, security and privacy protections

The Cloud's Impact on Licensing – SLAs are Critical



Key Cloud/SaaS License Considerations

- **SLAs**
  - Dependence on the Vendor makes SLA clauses extremely important
  - Ensure measureable performance standards for system up time and issue response are clear.
- **Upgrades**
  - If the timing of upgrades is important, include the right to delay upgrades at your discretion.
- **Customizations**
  - If you know customizations will be required, ensure there is a clause addressing your right to have customizations in your instance of the software.
- **Some licenses claiming to be SaaS are not true SaaS applications.**
  - One large software Publisher requires customers to download software instead of remotely accessing it – and they require system access for monitoring.
- **Government funding might impact multi-year subscriptions.**
  - What happens to your SaaS app if year 2 funding disappears?

SLAs Are Critical for SaaS/Cloud

System Availability Example – 99.9%

Criteria	Measurement	Comments
Minutes in a 90 day period	129,600 minutes	
Planned down time (assume 18 hours)	1080 minutes	This is a standard amount of time for system maintenance
Remaining minutes for scheduled up-time	128,520 minutes.	
SLA	99.9%	This is a moderate standard; 5 nines (99.999%) is very high
Minutes of expected up time	128,391.5 minutes.	
Allowable minutes of unplanned downtime	128.52 minutes ~ 2.1 hours over 90 days!	Little time for unplanned down time
Penalties	Varies	Usually a credit is given for missing the SLA

DoD ESI Commercial Software Licensing Training

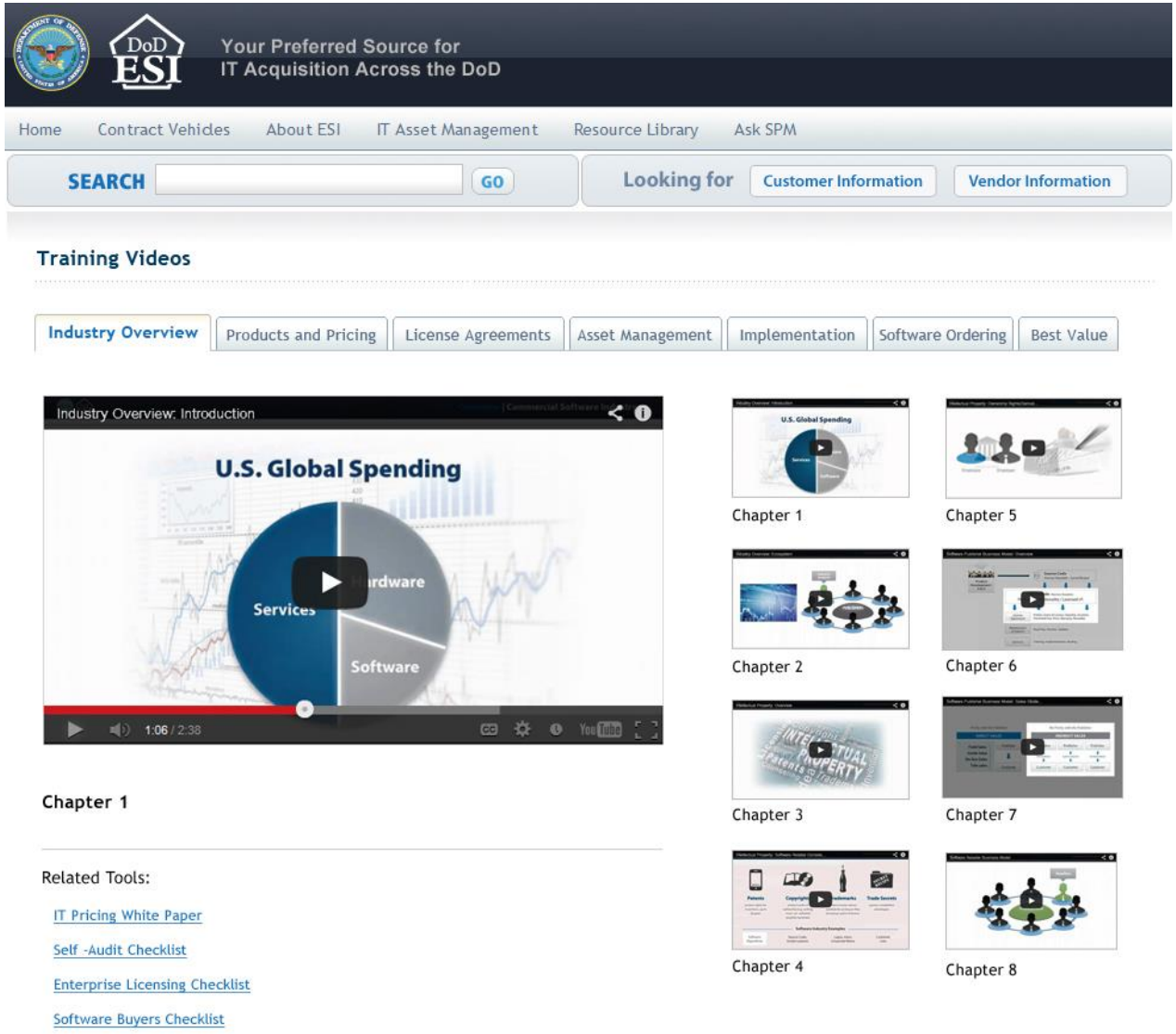
Training Information on DoD ESI Web Site

Please visit the following page on the ESI web site to:

- Register for ESI training
- Provide training feedback
- Request a consultation with an ESI Software Licensing SME
- Download training materials

http://www.esi.mil/

DoD ESI Tools: eLearning Tutorials



Up to 8 Modules per Chapter

- Industry Overview
- Products & Pricing
- License Agreements
- Asset Management
- Implementation
- Ordering
- Best Value

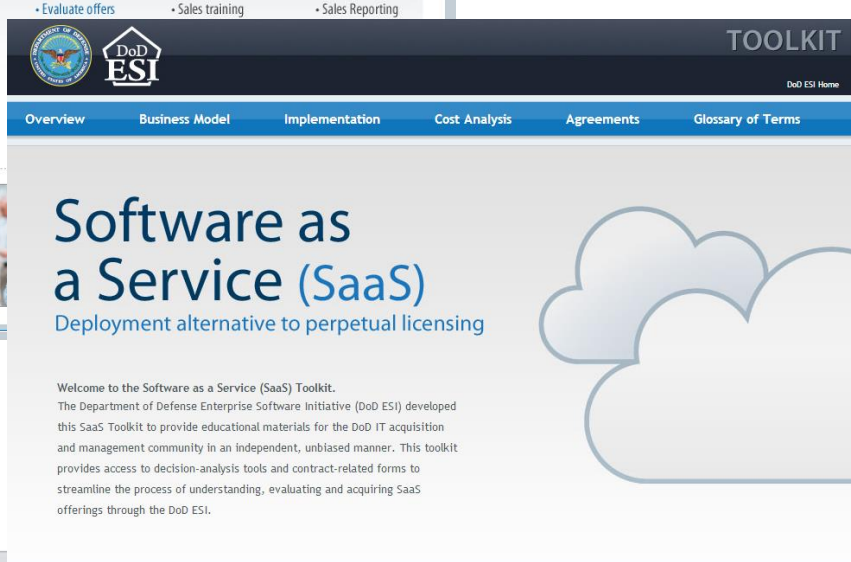
DoD ESI Tools: HTML Toolkits and Software Buyer's Checklist

Best Value Toolkit

Software Buyer's Checklist

BPA Toolkit

SaaS Toolkit



DoD ESI Tools: White Papers

IT Virtualization Technology

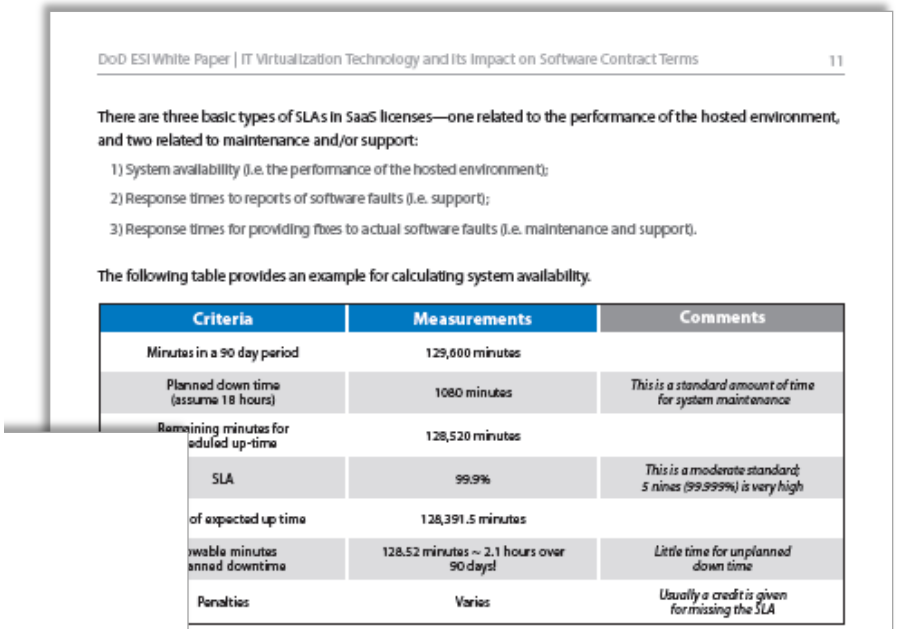
Cloud-Based Software Contracts

Open Source Software

Third Party Software

Software Warranties

Software Maintenance



DoD ESI White Paper | IT Virtualization Technology and its Impact on Software Contract Terms 11

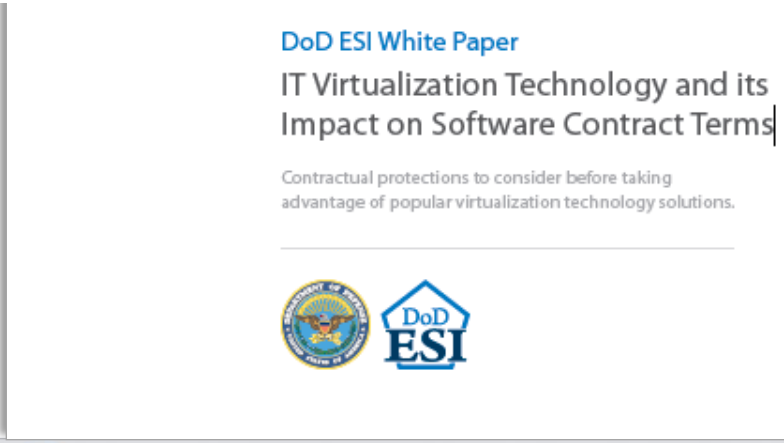
There are three basic types of SLAs in SaaS licenses—one related to the performance of the hosted environment, and two related to maintenance and/or support:

1) System availability (i.e. the performance of the hosted environment);
2) Response times to reports of software faults (i.e. support);
3) Response times for providing fixes to actual software faults (i.e. maintenance and support).

The following table provides an example for calculating system availability.

Criteria	Measurements	Comments
Minutes in a 90 day period	129,600 minutes	
Planned down time (assume 18 hours)	1080 minutes	*This is a standard amount of time for system maintenance*
Remaining minutes for scheduled up-time	128,520 minutes	
SLA	99.9%	*This is a moderate standard; 5 nines (99.999%) is very high*
of expected up time	128,391.5 minutes	
owable minutes anned downtime	128.52 minutes ~ 2.1 hours over 90 days!	*Little time for unplanned down time*
Penalties	Varies	*Usually a credit is given for missing the SLA*

Please note this example is based on a three-month period, assuming planned downtime of 18 hours for system maintenance and upgrades. Scheduled uptime is the time remaining after subtracting planned downtime from the total number of minutes available in a three-month period. The specified service level is expressed as a percentage of scheduled uptime (in this case, 99.9%).



DoD ESI White Paper

IT Virtualization Technology and its Impact on Software Contract Terms

Contractual protections to consider before taking advantage of popular virtualization technology solutions.